

CITY OF SAN ANTONIO

INTERNAL AUDIT DEPARTMENT

Audit of Fire Department

Uniformed Personnel Special Compensation

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**Audit of Fire Department
Uniformed Personnel Special Compensation**

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Audit of Fire Department Uniformed Personnel Special Compensation

Executive Summary

Overview

A review of the San Antonio Fire Department's special compensation payroll has been completed. The review included both Emergency Medical Services and Fire Divisions. This audit was designed to provide reasonable but not absolute assurance whether the Fire Department paid special compensation to Uniformed Employees in compliance with the Collective Bargaining Agreement that exists between the City and the International Association of Fire Fighters Local 624. It included a study of internal controls that were considered relevant in assessing control risks and the control environment as established by Management for the payroll business process. Discussions with City Staff and review of selected documentation for this process would not necessarily reveal all internal control weaknesses that exist.

The report includes background information to assist the reader in understanding the complexity of payroll for the Fire Department. The City will be entering into negotiations soon with the International Association of Fire Fighters as the current Collective Bargaining Agreement expires on September 30, 2005. Various issues presented in this report should be considered by City Council and Executive Management when determining objectives for the labor/management negotiations. The special compensation component of the Collective Bargaining Agreement resulted in payroll expenditures of nearly \$5 million in fiscal year 2004, and impacted as many as 1,400 Uniformed Personnel.

Results In Brief

Most of the issues identified in the audit related to strengthening internal controls for payroll processing within the Fire Department. The Human Resources Department is involved in one observation considering language skill compensation which affects the City in general.

Strengthening internal controls will help to ensure that special compensation paid is in compliance with the Collective Bargaining Agreement. The accurate payment of special compensation impacts the City budget and the paychecks of over 1,400 Uniformed Fire Department Employees. These employees provide critical public safety services to the residents of San Antonio and their payroll can be a sensitive topic.

The development of written procedures would ensure that personnel and payroll processes are performed as Management intends. Increased monitoring of payments for special compensation, and of employee eligibility to receive special compensation, would promote the accuracy of payroll expenditures. In some cases, better communication between the personnel and payroll offices with other Fire Department Sections should be formalized to provide better documentation of payroll actions. In some cases, documentation standards should be revised to require additional evidence of eligibility before special compensation is granted.

The recent implementation of SAP has placed new demands on Fire Department Management and Staff. Many payroll errors occurred following the implementation of SAP which required considerable resource allocations to correct. This has been exacerbated by the need to maintain two information systems – SAP and the Fire Department's proprietary Employee Database. Many payroll changes require updates to dual databases/systems for personnel and payroll. Ideally, developing interfaces could allow the two systems to exchange information that would eliminate the need for duplicate data entry and the associated personnel costs.

Background

The San Antonio Fire Department is staffed with approximately 1,535 full-time personnel. The Department's adopted operating budget for FY 2005 is \$175,949,175. This funding is used to provide fire prevention, fire suppression, medical first responder, emergency management, and rescue services to the public. The department conducts inspections for building safety, issues permits, investigates fires of suspicious nature, maintains firefighting apparatus and equipment, receives and dispatches calls for fire and medical services, trains departmental personnel, conducts community education, and coordinates the homeland security/emergency preparedness effort to the City.

Compensation for Fire Department Uniformed Personnel is governed by the Collective Bargaining Agreement between the City of San Antonio and the International Association of Fire Fighters Local 624. The effective dates of the current agreement are June 3, 2002, through September 30, 2005.

Uniformed Personnel receive monthly base salaries dependent upon position, rank, length of service and education. Longevity pay is calculated from length of service and base salary and exceeds the minimum amount required by the Local Government Code. Additionally, the salaries may be supplemented by special compensation pay. Special compensation incentives are based on education, assignment and certification.

Texas Commission on Fire Protection—Fire Certifications

The Texas Commission on Fire Protection (TCFP) sets the standards for fire certifications. The Structure Fire Protection Personnel Certification (Structural Certification) is required of all Fire Suppression (Fire Fighter) Personnel and must be accomplished within one year of appointment to fire fighting duties.

The following certifications are available from the TCFP:

- Structure Fire Protection Personnel
- Aircraft Rescue Fire Fighter
- Arson Investigator
- Fire Inspector
- Fire Service Instructor
- Hazardous Materials Technician

The TCFP standards manual (421.11) states that Fire Fighters assigned to the various disciplines must be certified within one year of assignment.

Most certifications have four levels: basic, intermediate, advanced and master. Advancement to a higher level of certification is accomplished through additional classroom hours (or college hours pertaining to fire science), successful completion of an examination, and a number of years of work experience. A Master level generally requires sixty college hours or an Associates Degree in a field related to fire science.

Requirements for Earning and Maintaining TCFP Certification			
	Certification Type		
	Structural Aircraft Arson Inspector	Instructor	HazMat
Work Experience in Years			
Basic	-	3	-
Intermediate	4	3	-
Advanced	8	5	-
Master	12	12	-
Annual Continuing Education	20 hours	20 hours	30 hours

All fire certifications require annual renewal with at least twenty hours of continuing education. HazMat certification requires an additional ten hazardous materials classroom hours.

TCFP sends the annual Certification Renewal Statement to the Fire Department each September. The statement lists every Fire Fighter employed by the San Antonio Fire Department, the certification(s) and level(s) he or she holds, the discipline to which the employee is assigned and a personal identification number. The department pays one annual fee (\$20) per Fire Fighter regardless of the number of certifications the employee holds. The annual cost for the fire certifications is approximately \$30,000.

Texas Department of State Health Services—EMS Certifications

The Department of State Health Services (formerly Department of Health) governs Emergency Medical Technician (EMT) and Paramedic (EMT-P) certificates and licenses. EMT and Paramedic certificates are issued for four years. There are four options for renewing certificates. One renewal option is to obtain the required hours of continuing education within the four-year certification period. The City pays the renewal fees for EMT and Paramedic certifications through a contract with the University of Texas Health Science Center. A licensed paramedic differs from a certified paramedic in the area of education. A licensed paramedic must have earned an Associate, Bachelor, or Master Degree from an accredited institution. The City does not require paramedics to be licensed and does not pay the additional fee for paramedic license renewal.

EMS Certifications and Fees				
Certifications	Paid by COSA	Initial Fee	Renewal Fee	CE Hours (each 4 Years)
EMT	Yes	\$64	\$64	72
EMT-P	Yes	96	96	144
Licensed EMT-P	No	126	126	144

Cadets

The Training Academy generally holds two training classes per year. Cadets (Fire Fighter trainees) complete the required academics, skills and drills necessary to be a certified Fire Fighter. Included in this six month course of instruction is a five week Basic Emergency Medical Technician course at the University of Texas Health Science Center. Upon completion of the Academy requirements, the cadets take State exams to earn the Structure Fire Protection Personnel Certification (Basic Structural Certification) and the Emergency Medical Technician Certification (EMT). The graduates will be assigned to a specific discipline and are considered probationary Fire Fighters for a six month term.

Base pay for cadets is \$2,300 per month. Cadets are not entitled to special incentives per Section 32 of the Collective Bargaining Agreement.

Probationary Fire Fighter pay begins at \$40,248 per year per Article 13 of the Collective Bargaining Agreement. Probationary Fire Fighters are eligible for various incentives and overtime pay. See **Attachment A** for a listing of pay by classification for various Fire Department Uniformed Personnel.

Incentive Pay

Section 22 of the Collective Bargaining Agreement lists 13 incentives available to Uniformed Personnel.

- Educational Incentive is paid to Uniformed Personnel who have earned a degree from an accredited university. Per the Collective Bargaining Agreement the degree must be relevant to job performance. The incentive for an Associate, Bachelor or Masters Degree is \$170, \$270 and \$290 per month, respectively, as of October 1, 2004.
- Hazardous Material (HazMat) Incentive of \$100 per month is paid for assignment to the HazMat team and is not dependent upon any type of certification or qualification.
- EMT Certification pay ranges from \$50 to \$150 per month based on length of service as an EMT. Since 1979 all Academy graduates are certified EMT's. There are a handful of Fire Fighters hired prior to 1979 who do not hold the EMT Certification and do not receive the pay.
- Paramedic Certification pay ranges from \$150 to \$250 per month for those paramedics assigned to EMS, Communications or Aviation.
- Special Duty pay is given when an employee is assigned to a special task or duty. The employee is paid at the next higher rank than the rank they occupy for the duration of the assignment. The special duty does not create a position.
- Arson Assignment pay is \$50 per month while the Fire Fighter attends the Police Academy. One of the requirements of an Arson Investigator is certification as a Peace Officer. After certification they earn \$350 per month.
- Aviation Incentive is paid to those Fire Fighters assigned to the Aviation Division or to Station 22 at Stinson Airport. Assignment Incentive is \$50 per month until an employee becomes certified as an Aircraft Rescue Fire Fighter. Certification Incentive is \$100 per month.
- The Technical Rescue Team is involved in such cases involving swift water rescues, dive rescues, and structural collapse rescues. Fire Fighters earn \$50 per month for assignment to this team of thirty members. Once they are considered qualified by the Chief they earn \$100 per month.
- Training Instructor Incentive is paid at \$50 for assignment to the Training Academy and \$350 once an Instructor is certified.
- Fire Inspectors assigned to the Fire Prevention Division are responsible for code compliance. They earn assignment incentive of \$50 or certification incentive of \$100 per month.
- Language Skill pay is available to all Fire Fighters upon completion of testing requirements at the rate of \$50 per month. Language skills pay is available to departments city-wide.
- The Services Division handles such tasks as keeping the fire stations stocked with supplies and maintaining equipment. There are three uniformed Fire Fighters assigned to the Services Division who earn \$100 per month.
- Fire Certification pay, as of October 1, 2004, is earned at a rate of \$50, \$60 or \$80 per month based upon the level of the certification earned from the TCFP. Of the 1,430 employees receiving this incentive 1,213 were at the basic level, 41 held an intermediate level, and 176 were at an advanced or master level in August 2004.
- Longevity pay is \$8 per month per year of service, plus an additional three percent of base pay at each five year increment of service up to 30 years and is address in Article 13, Section 2.

Audit of Fire Department
Uniformed Personnel Special Compensation

The following table summarizes the special compensation available to Fire Department Uniformed Personnel as of December, 2004:

Category	Requirements	Compensation
Educational	Associates degree	\$170 per month
	Bachelors degree	270 per month
	Masters degree	290 per month
Hazardous Materials	Assignment to the Hazardous Materials Team	\$100 per month
EMT Certification	0-4 years of service	\$50 per month
	5-8 years of service	100 per month
	9 or more years of service	150 per month
Paramedic Certification	0-4 years of service	\$150 per month
	5-8 years of service	200 per month
	9 or more years of service	250 per month
Arson	Assignment to Arson Division	\$50 per month
	Certified Arson Investigator and Assignment	350 per month
Aviation	Assignment to Aviation	\$50 per month
	Certified Crash Rescue Fire Fighter and Assignment	100 per month
Technical Rescue	Assignment to Technical Rescue Team	\$50 per month
	Qualified by Chief and Assignment	100 per month
Training Instructor	Assignment to Training Division	\$50 per month
	Certified Instructor and Assignment	350 per month
Fire Inspector	Assignment to Fire Prevention	\$50 per month
	Certified Inspector and Assignment	100 per month
Language Skills	Proficiency (per Administrative Directive 4.38 dated 3/9/95)	\$50 per month
Services	Assignment to Services Division	\$100 per month
Fire Certification		
	Effective 10/1/04	
	Basic	\$50 per month
	Intermediate	60 per month
	Advanced	80 per month
	Master	80 per month
	Effective 4/1/05	
	Basic	\$50 per month
	Intermediate	80 per month
	Advanced	120 per month
	Master	160 per month
Longevity Pay	\$8 per month for each year of service, plus each 5 year increment earns an addition 3% of the base salary	

The table below summarizes 2004 budgeted and actual expenditures for the incentives that were included in the scope of this review.

Category	Approximate Number of Uniformed Personnel Receiving Compensation (September 2004)	FY 2004 Budgeted Expenditures	FY 2004 Actual Expenditures	Variance
Educational	563	\$1,468,800	\$1,375,480	\$93,320
Hazardous Materials	27	42,000	36,200	5,800
EMT Certification	1,028	2,302,967	2,255,800	47,167
Paramedic Certification	323			
Arson	14	50,537	55,150	(4,613)
Aviation	41	49,200	48,300	900
Technical Rescue	30	38,400	39,600	(1,200)
Training Instructor	8	25,200	34,650	(9,450)
Fire Inspector	18	26,458	20,900	5,558
Language Skills	489	295,800	295,400	400
Fire Certification	1,430	1,046,454	730,310	316,144
Totals		\$5,345,816	\$4,891,790	\$454,026

Personnel Office Staffing

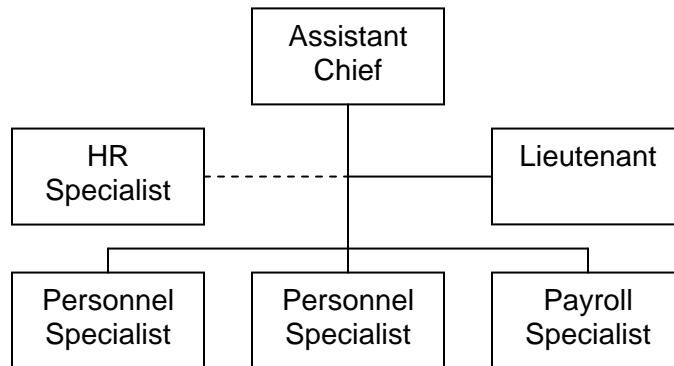
The Personnel Office in the Fire Department is managed by one Assistant Chief. The Staff is comprised of one Lieutenant and three civilian Staff members. Two Staff members are responsible for personnel and one is responsible for payroll.

Prior to October, there were two payroll analysts in the Fire Department. With the restructuring of the City's Human Resource (HR) Department, the Fire Department lost one of their payroll specialist positions. The employee in this position applied for, and was hired into, a new HR position assigned to the Fire Department on a rotating basis. The change created issues for the Fire Department both functionally and administratively. The position was created to handle only civilian payroll, but this left the Fire Department with only one payroll specialist to perform the payroll duties for over 1,400 Uniformed Employees. At present the HR specialist is allowed to assist in the Uniformed Employee payroll. In spring 2005 the HR specialist is scheduled to be rotated to a different department. When this occurs the Fire Department will lose years of Fire Department payroll experience. The HR specialist assigned to the Fire Department reports administratively to the HR Department and not to the Fire Department. Requests for leave are not made through the Fire Department, but are made to the HR Department. The HR Department grants approval with no regard to the work load in the Fire Department payroll office and no notification to the Assistant Chief.

Personnel Procedures

The Fire Department Personnel office utilizes several Microsoft Access databases created in-house as their main information sources. The "Employee Database" feeds several other databases, one of which is the "Pay Fire" Database. The "Pay Fire" Database reports hours worked. The Employee Database does not currently feed into SAP.

Personnel Services Division



Since the implementation of SAP the workload of the Fire Department Personnel Office has increased. The SAP System does not have the capabilities needed to replace the Employee Database so both systems must be maintained. In addition to maintaining both systems, large amounts of time have been spent correcting payroll errors in SAP.

Objectives

The objectives of the review were to:

- Determine if special compensation is paid in accordance with the Collective Bargaining Agreement and applicable City policies.
- Determine if internal controls related to the payment of special compensation are adequate and effective.

Scope

The scope of the review covered Fire Department payroll transactions related to special compensation. The review focused on transactions that occurred between October 2002 and September 2004; however, the review included a limited number of payroll transactions processed in the SAP HR-Payroll System which was implemented in October 2004. This audit was not designed to review specifics about base pay and longevity pay for Fire Fighters. Also, the evaluation of salary and/or pay for the Fire Chief was not incorporated into the scope of this project. These issues could be reviewed as part of a future project.

Special Duty pay was not included in this audit because Special Duty pay (Article 22) is posted into the same account with payments for "Working Out of Classification" (Article 16). The payroll data posts both types of pay into one category called "Higher Classification Pay" and does not identify amounts specific to the Special Duty pay. The total of the two types of pay is approximately \$1 million per year. The Fire Department says the Special Duty pay is very rarely used. The Services Division Incentive pay is not a significant amount (less than \$3,000 per year) and is not included in this report.

Criteria

This review was based upon terms of applicable laws, the current Collective Bargaining Agreement, departmental policy and procedures communicated to the auditors, and other sound administrative practices. The review was performed in compliance with generally accepted government auditing standards (GAGAS) issued by the U.S. Government Accountability Office (GAO) and other criteria to conform with the Institute of Internal Auditors' "International Standards for the Professional Practice of Internal Auditing."

Methodology

This review was designed to provide reasonable, but not absolute, assurance regarding the adequacy of internal controls. This audit included a study of internal controls that are considered relevant in assessing risk and the control environment as established by Management. The study was based on discussion and review of selected documentation, and as such would not necessarily reveal all internal control weaknesses that exist.

During this review, sampling techniques were used to determine which transactions would be subject to detailed review. These techniques include random sampling and judgmental sampling. The samples were not selected using statistical sampling techniques. The judgmental sampling for this audit did not include a specific effort to select the payroll transactions of senior Fire Department Management for detailed review.

The audit methodology consisted of collecting information and documentation, performing selected tests and other procedures, analyzing and evaluating the results of the tests, and conducting interviews with Fire Department Management and Staff. Interviews were also conducted at the City Human Resources Department. The City Internal Audit Department Staff (CIAD) researched Fire Department special compensation paid by other municipalities. For a comparison of special compensation with various cities see **Attachment B**.

Conclusion

Internal controls related to the payment of special compensation should be improved. The payment of Language Skills pay could not readily be supported by personnel records. Payroll transactions did not always agree with Personnel Orders. Documentation did not exist to support the qualifications of some employees assigned to specialty teams. The Fire Department should establish, and consistently apply, criteria for determining qualifications to serve on specialty teams and to receive special compensation. A lack of monitoring has resulted in several errors in the payment of special compensation. Transaction testing identified about fifty involving under and over payments.

Action Plan

1. The Fire Department and the City Human Resources Department should improve record keeping related to the eligibility of employees who are receiving Language Skills pay.
2. Formalize procedures for determining Technical Rescue Team qualifications. Procedures should include written documentation rather than verbal communication.
3. Develop formal written procedures for general payroll and personnel processes.
4. Establish procedures for reviewing the pay of each employee who transferred during the month.
5. Establish a periodic comparison of payroll reports to specialty team rosters.
6. Establish a procedure for comparing the State's records of certifications to payroll records.
7. Document the Fire Chief's determination regarding the relevance of higher education degrees submitted by Uniformed Employees. Require official transcripts from employees who are applying for Educational Incentive.
8. Record the transfer of probationary Fire Fighters out of cadet positions as soon as possible.

Detailed Observations, Recommendations, and Responses

1. Cannot Verify Eligibility to Receive Language Skills Pay

Observation

The Collective Bargaining Agreement, Article 22 Section 13 states, "Effective October 1, 1996, employees shall be entitled to Language Skills pay upon satisfactory completion of the testing requirements for proficiency as set forth in Administrative Directive 4.38. The amount shall not be less than the amount payable to other City employees."

Administrative Directive 4.38 states, "Language Skills pay: compensation given to an employee in an amount calculated at fifty dollars (\$50.00) a month for the use of additional language skills in the performance of job duties" and "If the employee qualifies for second language use, the Human Resources Department coordinates the check of prior testing or administration of testing for competency in the language" and "The Human Resources Department shall maintain central records of individuals who have been qualified through the review and testing process to receive Language Skills pay."

The Fire Department Personnel Office cannot readily verify an employee's eligibility to receive Language Skills pay. Employees are required to demonstrate proficiency at a testing center independent of the City. The City Human Resources Department coordinates the testing and provides the test results to the Fire Department by email. Based upon the test results received from the Human Resources Department, the Fire Department initiates Language Skills pay for employees who met the requirements. The emails are printed and filed with other Language Skills related documents in the Fire Department Personnel Office. However, given an employee's name or ID number, Staff cannot easily find the related documents in the file.

Due to the condition of records maintained at the Fire Department, it was necessary to contact the City Human Resources Department in an attempt to verify the eligibility of selected Fire Department employees to receive Language Skills pay.

After meeting with Staff at the Human Resources Department, it was determined that the City Human Resources Department cannot readily verify an employee's eligibility to receive Language Skills pay. Notices received from the testing organization are retained, but are not organized in such a way as to allow an individual to be verified by name or employee ID.

The Internal Audit Department also contacted the testing agency, the Universidad Nacional Autonomia de Mexico (UNAM), in an attempt to verify the test results of selected Fire Department employees. UNAM was unable to provide testing results based on the employee's name or ID number, apparently due to their record keeping methodology.

Risk

Payroll costs related to Language Skills pay cannot readily be supported. In FY 2004, the City paid \$1,163,650 in language skills pay. In that year, the Fire Department accounted for \$295,400 of the total.

Recommendation

Improve record keeping at the Fire Department so that payroll changes, including changes to Language Skills pay, are supported by documentation and can be verified.

The City Human Resources Department should fully comply with Administrative Directive 4.38. Organize language testing records such that an employee's eligibility to earn Language Skills pay can easily be determined based on the employee's name or employee ID.

Management Response (received March 8, 2005)

The San Antonio Fire Department Personnel Services Office shall draft and promulgate a procedure that will require all documentation received from the Human Resources Department regarding an employee's qualification for language skills pay to be placed into the employee's personnel file.

Responsible Party for Implementation

Assistant Chief Noel T. Horan

Implementation Date

April 1, 2005

2. Document the Qualifications of Technical Rescue Team Members

Observation

The Technical Rescue Team is a special unit that performs unique, high level rescues involving swift water, high angles, trench cave-ins, water dives, cave rescues, and vehicle rollovers with trapped victims. In September of 2004, the Fire Department's Technical Rescue Team consisted of thirty Fire Fighters on three different shifts. Fire Fighters who are assigned to the Technical Rescue Team earn an incentive of \$50 per month. Those Technical Rescue Team members who are determined to be qualified by the Fire Chief receive a \$100 incentive each month. Fiscal Year 2004 expenditures for Technical Rescue Incentive amounted to \$39,600.

The Fire Department has not established a formal means of determining the qualifications for Technical Rescue Team members and communicating this to the Personnel Office. A new team member receives specialized training in such areas as repelling, and litter rigging. Upon completion of an area of training the supervisor initials and dates a "Rescue Skills Checklist". The checklist contains information in sixteen areas of training. Not all of the shifts keep the checklist as documentation of a team member's qualifications. Of the checklists reviewed, not all the areas on the checklist had been completed for several individuals. The training occurs over a period of time, generally six to eight weeks; and it was difficult to determine the date that training was completed for an individual.

The checklist is not provided to the Personnel Office when a request for qualification pay is made. Presently the Special Teams Coordinator informs the Deputy Chief when an employee is qualified. The Deputy Chief verbally informs the Personnel Office who authorizes a change from the \$50 assignment pay to the \$100 qualification pay.

The Collective Bargaining Agreement Article 22 Section 10 states: "Effective October 1, 2003, employees initially assigned to the Technical Rescue Team shall receive \$50 per month until such time [as] the employee is deemed qualified by the Fire Chief." The contract further states: "Each Fire Fighter assigned to the Technical Rescue Team determined to be qualified by the Fire Chief shall receive a \$100 per month incentive during his or her active assignment."

Risk

The informal means of verifying the qualifications of a Technical Rescue Team member could result in the placement of Fire Fighters into very dangerous situations that they are not trained to deal with. This places both the Fire Fighters and citizens at risk.

Recommendation

Formalize procedures for determining Technical Rescue Team qualifications and apply them consistently throughout the shifts. The Rescue Skills Checklist contains valuable documentation of the qualifications of a team member.

- Revise the checklist to contain the shift Captain's signature as verification that the required training was completed and also include the final date of qualification.
- Forward a copy of the checklist to the Personnel Office with the request for qualification pay. The completed checklist would be the first step needed to initiate a Personnel Action Sheet issued from the Personnel Office. This Personnel Action sheet would serve as the authorization for Payroll Staff to update their information systems.
- Maintain a copy of the checklist in the employee's file in the Personnel Office.

Management Response (received March 8, 2005)

The San Antonio Fire Department Personnel Services Office shall draft and promulgate a procedure that will formally document the qualification of an employee for special assignment pay. This procedure shall apply to any position that qualifies for special assignment pay under the Collective Bargaining Agreement.

Responsible Party for Implementation

Assistant Chief Noel T. Horan

Implementation Date

April 1, 2005

3. Strengthen Internal Controls to Promote Accuracy of Special Compensation Payments

Observation

Frequently, Personnel Orders related to promotions and transfers are issued before a firm effective date can be determined. Occasionally, there are delays in transfers after the Personnel Order has been issued. The new transfer date is sometimes communicated verbally rather than with corrected paperwork. When the communication is verbal, there is no documentation of the correct transfer date. Written procedures have not been developed to guide employees in processing employee transfers.

Monitoring payroll costs against a list of specialty team assignments and certifications would serve as a detective control to help ensure that special compensation is paid accurately. The Fire Department does not regularly monitor special compensation pay to determine that all eligible employees are paid.

Based on a review of a random sample of twenty-seven individuals who transferred to or from a specialty team, fifteen (56%) did not have their incentive pay initiated or ended as specified on the Personnel Order authorizing the transfer. Among the fifteen employees whose documentation did not match payroll, two experienced delays in their transfer that did not involve payroll errors, and thirteen experienced payroll errors totaling \$4,650.

Examples of errors identified during the testing of transfers and in other test work include:

- Four of thirty-one employees (13%) assigned to the Hazardous Materials Team did not receive assignment incentive pay in September 2004. Of the four, one eligible employee had not received Hazardous Materials Team assignment pay from October 2003 to September 2004. The remaining three had not been paid from August 2004 to September 2004.
- Two employees from the Fire Prevention Division did not receive the correct incentive pay based on their certification level. One eligible individual in the Fire Prevention Division did not receive the Inspector assignment incentive. Another eligible employee did not receive the Inspector Certification Incentive.

Risk

Underpayment and non-payment of incentive pay can create a situation where the City is not in compliance with the Collective Bargaining Agreement. Overpayment of the incentives results in higher payroll costs to the City.

Recommendation

Strengthen internal controls related to the transfer process. Management should establish control activities such as:

- Develop formal written procedures for payroll and personnel processes.
- Consider using checklists for those tasks that have multiple steps, including the transfer process.
- Establish a process for reviewing the pay of each person who transferred during the month.
- Establish a process for periodic comparison of payroll reports to Fire Department specialty team rosters.
- Develop a control log of known costs of the different incentives and monitor payroll costs against this log.

Correct payroll errors identified during this audit. Excluding the transfers reviewed during this project, consider reviewing the payments of special compensation to other employees who transferred in or out of specialty teams during the past year.

Management Response (received March 8, 2005)

The transfer process currently utilized by the San Antonio Fire Department works very well, and as such, no changes to the process will be made. The Personnel Services Office shall draft and promulgate a procedure that will require monthly review of all transfers into and out of positions that involve special assignment pay to ensure that such pay is dealt with in the appropriate manner.

Responsible Party for Implementation

Assistant Chief Noel T. Horan

Implementation Date

April 1, 2005

4. Contract Language for Fire Certification Pay

Observation

The Fire Certification pay is a new incentive initiated with the latest negotiated Collective Bargaining Agreement. In September 2004, there were 1,430 employees receiving Fire Certification pay. Fire Certification pay is earned at four levels: basic, intermediate, advanced and masters. During September 2004, there were 1,213 Fire Fighters earning basic level pay (\$40 per month), 41 Fire Fighters earning intermediate level pay (\$60 per month) and 176 Fire Fighters earning advanced/masters level pay (\$80). Every Fire Fighter graduating from the Academy is eligible to earn Fire Certification pay at the basic level. To earn this incentive at any level, a Fire Fighter must meet the certification requirements of the Texas Commission on Fire Protection. These requirements include combinations of work experience and education. During FY 2004, the Fire Department paid \$730,310 in Fire Certification pay.

According to the City Manager's Office and the Fire Department, the Fire Certification pay was intended to be based upon the level of Structure Fire Certification obtained. However, the Fire Department currently pays this incentive based upon the certification level earned in any discipline—Structure, Arson, Inspector, or Instructor. Apparently, the word “structure” was dropped in error during contract negotiations.

The Collective Bargaining Agreement Article 22 Section 15 reads: “Fire Fighters who hold a Basic, Intermediate, Advanced or Master Certification issued by the Texas Commission on Fire Protection shall receive Fire Certification pay...”

At present there are 20 individuals who hold a basic Structure Certification, but are receiving a higher level of Fire Certification Pay based upon an intermediate, advanced or master Arson, Instructor, or Inspector Certification. In aggregate, these twenty individuals will earn approximately \$12,360 over the basic level of Fire Certification pay in FY 2005.

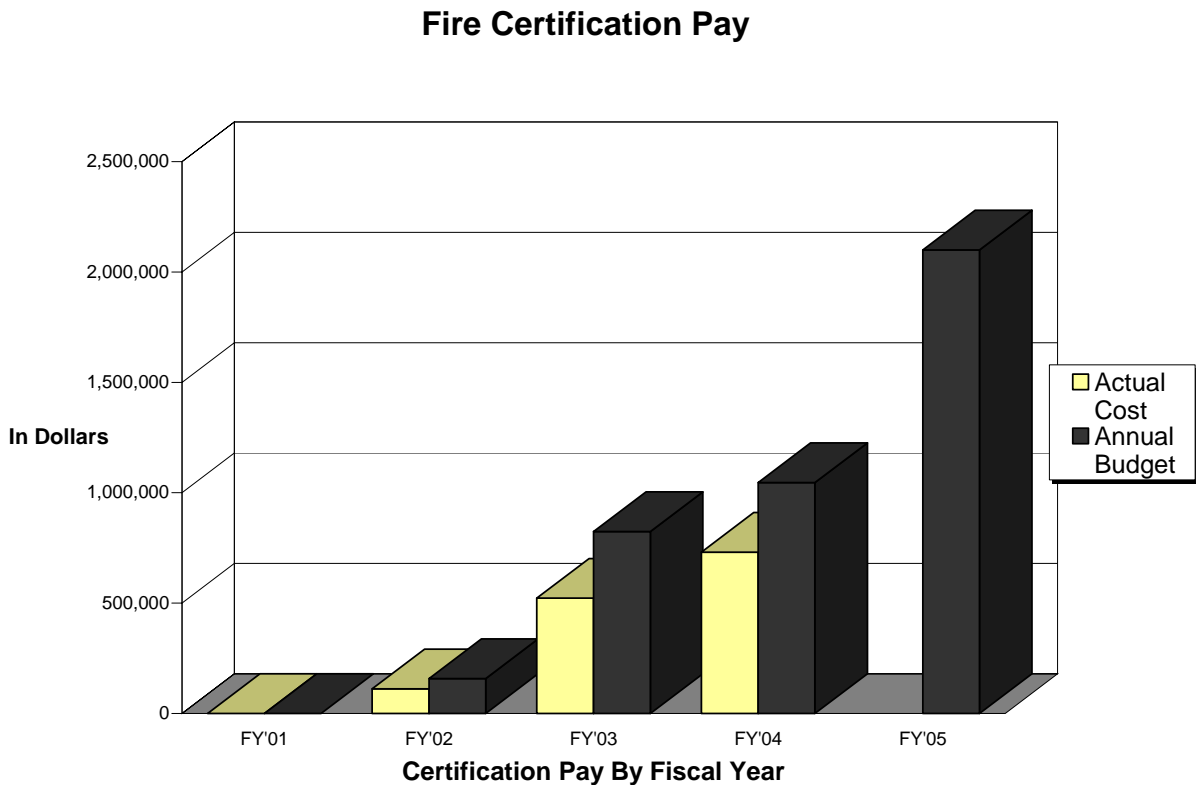
It was also noted that the practice of paying Fire Certification pay based on certification level in Arson, Instructor, or Inspector is not consistently applied to all Fire Fighters. There are an additional 27 Fire Fighters who are eligible for a higher level of Fire Certification pay based on their certification levels. If these 27 individuals were paid Fire Certification pay based on other certification levels they would collectively earn an additional \$9,960 in FY 2005.

Based on a comparison of payroll data to certifications held, 16 employees are paid Fire Certification pay amounts that are inconsistent with the level of certification that they possess. Twelve were underpaid and four were overpaid.

Fire Certification Pay		
Year	Annual Expenditures	Annual Budget
FY 2002	\$111,140	\$157,654
FY 2003	\$521,860	\$823,672
FY 2004	\$730,310	\$1,046,454
FY 2005*	-	\$2,100,000

*In April 2005, Intermediate, Advanced and Master certification amounts will increase by 33%, 50% and 100% respectively.

The following graph shows the budgeted and actual costs of Fire Certification pay since its inception in June 2002.



Risk

Fire Department payroll costs are higher when the incentive is paid for all certifications rather than limiting the incentive to Structure Fire Certification. For example, if a Fire Fighter holds a basic Structure Fire Certificate and an advanced Arson Certificate, the Fire Certification pay is \$80 for the advanced level instead of \$40 for the basic level. Calculating Fire Certification pay based on any certification rather than Structure Certification will increase payroll costs by approximately \$22,320 for FY 2005 if consistently applied to all Fire Fighters.

Recommendation

In upcoming negotiations, the City Manager and the Fire Chief should consider modifications to the contract to clarify whether the Fire Certification pay is based on Structure Fire Certification or the certification level in any discipline. The Department should ensure that the policy for Fire Certification pay is made known to all Fire Fighters.

Fire Certification pay should be paid consistently for all employees. If Fire Certification pay is to be based on any TCFP Certification, the records and pay for 27 employees mentioned above should be corrected.

Correct the payroll information of the 16 employees who were paid Fire Certification pay amounts that are not consistent with their level of certification.

Management Response (received March 8, 2005)

No changes will be made to the current practice.

San Antonio Fire Department personnel were notified on September 18, 2002, by memorandum sent out electronically, that it was the sole responsibility of the employee to provide documentation to the Personnel Services Office when they had increased their State fire certification level. Upon provision of the required documentation by the employee, the Personnel Services Office would make the necessary change in the Employee Information Database and SAP, ensuring the appropriate increase in fire certification pay was made. This policy is applied equally to all employees.

All employees identified as under paid during the audit failed to provide documentation of the increase in their fire certification level to the Personnel Services Office as was required, and therefore did not comply with the Fire Department requirements necessary to earn the increase in fire certification pay.

It is the practice of the Fire Department to vigorously recover all overpayments. The fire certification pay of the 4 employees identified as over paid during the audit will be thoroughly reviewed, and recovery will be made as necessary.

Responsible Party for Implementation

Not Applicable

Implementation Date

Not Applicable

5. Improve Monitoring of Employee Certifications

Observation

Two Fire Fighters assigned to critical positions were not certified at the time of the audit and one was certified but not paid for the certification.

- One Aviation employee had his certification terminated as a result of a clerical error in June 2003. The Fire Department corrected the error during the audit and his certification was re-instated.
- One Fire Prevention employee has never received the Fire Inspector Certification, but has been receiving the Certification Incentive rather than the Assignment Incentive for the past two years. The employee has been overpaid \$1,200 during the two year time frame that is the scope of this audit.
- One Fire Prevention employee is certified as an Inspector but is only receiving the Assignment Incentive.

Texas Government Code, §419.038, titled Appointment to Aircraft Fire Fighting and Rescue Fire Protection Personnel Position, states, "A person may not be appointed to an aircraft fire fighting and rescue fire protection personnel position, except on a probationary basis, unless the person has completed the training prescribed by the commission."

As noted earlier in this report, the Texas Commission on Fire Protection issues an annual billing containing all San Antonio Fire Fighters, their certification(s) and Personal Identification Number (PIN). In the past this billing has not been made available to the Personnel Office. Also noted earlier is the one year time frame that exists to obtain certification.

Risk

The City is in non-compliance with state regulations when allowing non-certified Fire Fighters to be assigned to certain positions. The City is in non-compliance with the Collective Bargaining Agreement when Fire Fighters are not paid the incentives to which they are entitled. Higher payroll costs result when employees are paid for certifications that they do not maintain.

Recommendation

Establish monitoring activities to verify that incentive payments correlate to the certifications held by Fire Fighters. The Personnel Office should review in detail the annual billing sent by the State. The Fire Department records should be compared to the State's records.

Establish a practice of terminating certifications by PIN numbers rather than name. Verify the correct name and PIN number of those being terminated against a list of retirees.

Monitor employees assigned to specialty teams to ensure that they achieve certification within one year of assignment.

Correct the pay for the inaccurately paid employees.

Management Response (received March 8, 2005)

The San Antonio Fire Department Personnel Services Office shall draft and promulgate a procedure that will verify the qualification of an employee for a special assignment utilizing the billing records received from the State. This procedure shall apply to any position that qualifies for special assignment pay under the Collective Bargaining Agreement.

Responsible Party for Implementation

Assistant Chief Noel T. Horan

Implementation Date

April 1, 2005

6. No Written Procedures for Education Incentive

Observation

The Collective Bargaining Agreement Article 22 Section 1 states that "Fire Fighters holding certain Associates, Bachelors, or Masters degrees shall receive Education Incentive pay. The degree shall be from an accredited learning institution and shall have some relevance to the job performance of the employment. The Chief shall determine the appropriateness of the degree and such determination shall be final."

Educational Incentive is available to Uniformed Personnel who possess a degree from an accredited higher education institution. Employees may submit transcripts or a copy of the diploma to the Personnel Office at any time during the year; however, the Educational Incentive for degrees earned during the year begins in October. In FY 2004 the Fire Department paid \$1,375,480 in Educational Incentives. In September 2004 there were 563 Uniformed Fire Department Employees receiving Educational Incentive.

The Fire Department has not formally established criteria for determining if an employee's degree is relevant to job performance and thus eligible to receive Educational Incentive. The Fire Department has historically accepted the relevance of any degree obtained regardless of the field of study. In a test of 40 employees, job relevance was not tested; however auditors saw one employee earning the incentive for a music degree.

Prior to April 2004, the Fire Department did not verify accreditation before paying Educational Incentives. The Chief issued a memorandum on May 6, 2004, outlining procedures for verification of accreditation. Administrative Staff implemented the new policy by reviewing all degrees and discontinuing Educational Incentive for those employees who held degrees from institutions not recognized by the Council for Higher Education Accreditation (CHEA). However, auditors reviewed twenty-one employees who had filed grievances pertaining to the Chief's memorandum. Among those reviewed, one employee continued to receive Educational Incentive for a degree obtained from an institution not accredited by CHEA. This appears to be the result of an oversight during implementation of the new policy implemented in May.

Currently, all degrees submitted to the Personnel Office are reviewed to ensure that the issuing institution has been accredited by CHEA prior to issuing payment for Educational Incentive.

Local Government Code, §143.044 (c), titled Certification and Educational Incentive Pay states, "If the criteria for Educational Incentive pay are clearly established, are in writing, and are applied equally to each Fire Fighter or police officer in a municipality who meets the criteria, the municipality's governing body may authorize Educational Incentive pays for each Fire Fighter or police officer who has successfully completed courses at an accredited college or university."

Risk

The City is not in compliance with the Collective Bargaining Agreement by not requiring a determination of relevant degrees. The result is higher payroll costs to the City.

There is a higher risk of fraud when accepting a copy of a diploma instead of requiring an official transcript as documentation of the degree.

Recommendation

The Fire Department should make a determination regarding the relevance of degrees submitted by Uniformed Employees. The Personnel Department should verify each degree against the list of relevant degrees.

The Fire Department should require an official transcript issued from the university rather than a copy of a diploma.

Management Response (received March 8, 2005)

The San Antonio Fire Department is in full compliance with Article 22, Section 1 of the Collective Bargaining Agreement. The determination of relevance of any degree has been clearly established by the Fire Chief, as is his sole responsibility under the contract.

The current procedure utilized for payment of Educational Incentive is consistently applied to all Fire Department uniform personnel. The Personnel Services Office shall formally document said procedure in writing.

Responsible Party for Implementation

Assistant Chief Noel T. Horan

Implementation Date

April 1, 2005

7. Probationary Fire Fighters Accounted for with Cadets

Observation

Section 32 of the Collective Bargaining Agreement precludes cadets from receiving incentive payments. Twenty-four employees posted into the Temporary Fire Cadets classification (account 20.17.01) received incentive payments in September 2004. Upon further research, it was determined that the employees accounted for in 20.17.01 were eligible Probationary Fire Fighters.

Probationary Fire Fighters are not immediately transferred to fill vacant budgeted positions after they have graduated from the Fire Academy, but are occasionally left in unfunded positions. Per discussion with Fire Department Staff, the transfer process is time consuming and has not been a priority.

Risk

Control weaknesses exist when Management does not place emphasis on control objectives such as the correct classification, proper period, accuracy, validity, completeness, authorization, and posting. Failure to re-classify probationary Fire Fighters out of the FAMIS accounting system activity code reserved for cadets results in inaccurate reporting of incentive payments.

Staffing and payroll reports may not accurately reflect the status of the Fire Department. Public Safety staffing is of great concern and the mismatch of personnel records and actual assignments could result in substantial confusion for City Council in addressing fire personnel issues with constituents.

Recommendation

Reclassify the Probationary Fire Fighters to the proper index code, or now the SAP Cost Center, at the earliest feasible time. Regular monitoring of account 20.17.01 against a list of current cadets would have detected this problem. The Fire Department should now monitor the SAP Cost Center for similar potential reporting problems.

Management Response (received March 8, 2005)

Probationary Firefighters are never left in Fire Trainee positions. Upon graduation from the Training Academy, the Fire Trainee position (0658) an employee occupies is reclassified to the Probationary Firefighter job classification (0659). Probationary Firefighters have, however, been left in the Temporary Cadet cost center (20-17-01) until it was possible to move them to the Firefighting cost center (20-04-01). This period of time could be longer than necessary at times. The Personnel Services Office will draft and promulgate a procedure to ensure that Probationary Firefighters are moved from the Temporary Cadet cost center as soon as a position becomes available in the Firefighting cost center.

Responsible Party for Implementation

Assistant Chief Noel T. Horan

Implementation Date

April 1, 2005

8. Systems Application Product (SAP) Payroll System Allows Duplicate Incentives

Observation

The Collective Bargaining Agreement does not include provisions that allow an employee to receive both assignment and qualification pay. An employee should receive assignment pay until they are qualified, at which point the assignment pay should be replaced by qualification pay.

The SAP Payroll System allows both assignment and qualification incentives to be paid simultaneously. One employee received both the assignment and qualification incentives for Technical Rescue Team in October and November 2004.

Risk

The City faces higher payroll costs when incentives are paid in error. Having reliable information systems controls reduces the need for manual monitoring.

Recommendation

Increased monitoring activities should help to prevent or detect the risk of making two payments for one incentive.

SAP should be configured to prevent this type of special compensation payment problem. The SAP System should have been designed to ensure compliance with the terms of the Collective Bargaining Agreement related to an employee receiving assignment pay and qualification pay in the same month.

Management Response (received March 8, 2005)

The Personnel Services Office will draft and promulgate a procedure to ensure monthly monitoring of assignment and qualification pays.

Personnel Services Office Staff will meet with ERM Staff to determine if controls to ensure payment of assignment and qualification pay do not occur at the same time are possible, and to establish a timeline for development and implementation of said controls.

Responsible Party for Implementation

Assistant Chief Noel T. Horan

Implementation Date

April 1, 2005